

# Fact Sheet

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University of Stellenbosch  
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## RTT Group's "Unjani Clinic-in-a-Box" - Promoting access to affordable healthcare in rural areas

As in many other countries, healthcare in South Africa is characterised by huge disparities between private and public healthcare. While a minority of around 8.1 million of South Africans pay significant sums of money to enjoy access to high-quality private healthcare, around 41 million people (roughly 84% of our total population) rely solely on public healthcare<sup>1</sup>. The broad picture is one of high-cost, high quality health care for those who can afford private health care, while people at the base of the economic pyramid (BoP) rely on state hospitals and clinics that have far fewer resources and are much more likely to be understaffed and under-equipped.

One of the responses that Government is considering to improve access to healthcare for the poor is a National Health Insurance scheme. A fierce debate is raging as to whether a NHI scheme provides a long term solution, or whether it would just make private care even less accessible with little improvement in the quality of public health care<sup>2</sup>. Regardless of where one stands in that debate, the undeniable reality is that a big gap continues to exist between the government's capacity to deliver and the needs of the poor, especially in rural communities. The private sector can play a very useful role in complementing the

state's efforts, by facilitating access and increasing the affordability of healthcare in such communities. In this sense, the state vs. private healthcare approach needs not necessarily be an antagonistic or mutually exclusive one, and radical, innovative thinking can help provide universal access to healthcare at the lowest possible cost.

This fact sheet will examine how **RTT Group**, South Africa's largest privately owned distribution company, has built on its expertise in logistics and supply chains in order to develop the **Unjani Clinic-in-a-Box** concept. The model aims to meet the need for basic

primary healthcare (PHC) at community level by supplying basic, essential medicines, quality services and healthcare education, at an easily accessible point of sale.

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<sup>1</sup>BISSEKER Claire, "Do or die – Combating rising costs in hospital fees", Financial Mail, 27 January 2011

### Some Key Figures:

Spending on healthcare as % of GDP: 9%

Number of South Africans not covered by medical aid: 41 million

Estimated size of the BoP market:

- Pharmaceutical Products: R 612 m

- Clinical services: R 687 m

Sources: RTT, World Bank, FinMail

## I. The outlines of RTT's Clinic-in-a-Box Model

### a. Basic features

“Unjani Clinic-in-a-Box” is a franchise model that moves private sector Primary Healthcare (PHC) facilities into the rural areas to create sustainable local businesses that provide target communities with:

- Self-sustaining, dedicated, local, full-service PHC facilities
- Dedicated and trained staff
- High quality logistics and pharmaceutical supply
- Outlets for public health delivery
- Health education

Many people who seek public healthcare do so for illnesses and problems that are both easily diagnosed and treatable by either a Primary Health Care (PHC) nurse or a Professional Nurse. Around 60% of ailments don't need sophisticated medical attention or particularly expensive treatment: these would include common conditions such as cold and flu, diarrhoea, constipation, fever, lice, nausea and vomiting, and allergies that can usually be treated quickly and efficiently. Furthermore, by picking up health issues early, more serious problems down the line are prevented. As per legislation, the trained nurse will be able to dispense up to schedule 4 drugs from the drug formulary held at each Clinic-in-a-Box site<sup>4</sup>. Different medical conditions are

prevalent in different parts of the country, so each Clinic-in-a-Box site will have an element of flexibility in regards to selecting the most appropriate schedule 0 to 4 drugs. Furthermore if the condition of the patient is found to be more serious than the nurse is capable or allowed to treat, he or she has the authority and power to write a chronic health script to ensure that the patient receives further public healthcare attention from a doctor on call.

With the Clinic-in-a-Box Social-franchise concept, RTT Group aims to target these primary healthcare seekers in order to help relieve some of the burden on the public healthcare system. This approach is of particular interest in rural areas in South Africa, where approximately 17.5 million people have little access to the public healthcare system and doctors are particularly scarce.<sup>2</sup> Although there is currently no Public-Private Partnership (PPP) in place for this project, the aim of RTT Group is to partner with the Government in some way as to reduce cost for RTT Group, and increase primary healthcare points for the Government<sup>3</sup>. This approach holds a clear direct benefit for individuals currently underserved by the public healthcare network, but also a collective economic benefit in the form of lower health expenses and higher productivity.

In terms of physical resources, the Clinic-in-a-Box concept involves the use of a converted shipping container: 12m long by 2.3m wide, a standard container can be equipped as a fully functional, purpose-built healthcare clinic: Components include air conditioning, work benches, surgeon chairs, an examination couch, a toilet and wash basin, separate areas within the container for consultations, and a storage unit for medicines. Each Clinic-in-a-Box also has an electricity connection in order to power operating equipment within the clinic, provide

adequate and comfortable working and consulting conditions, as well as to ensure medicines are stored at a temperature below 25°C.

Each Clinic-in-a-Box comes staffed with a full time, dedicated and trained primary healthcare nurse or a professional nurse who holds an authorised dispensing licence.

Clinic-in-a-Box units will also seek to collect local data on health issues by storing ailment and treatment details of each patient electronically, using a data collection platform called 'Lifeqube' which can be connected to any mobile device or system at the point of care. Such applications can help improve public health responses by detecting health issues early on in a particular area.

### b. The business model

While the initial funding of the model is part of RTT Group's Corporate Social Investment (CSI) budget, it is seeking to ensure a sustainable revenue model for its concept.

Each Clinic-in-a-Box is registered as a business (normally in the form of a Pty), with at least 50% black or black female ownership. RTT would own another 25% of equity, while the remainder would be taken up by other corporates as part of their CSI or enterprise development strategy.

Start-up capital cost are around R 180,000, including the fully converted and equipped container, and initial inventory.

Revenue streams include:

- A flat consulting fee of R 60 per patient,
- R 20 for additional diagnoses,
- Script delivery fees of R 35
- Product margins of around 25% of over the counter (OTC) drug sales.

<sup>2</sup>See for example: THERON & ERASMUS, “National Healthcare – Great cost but little benefit, even to state patients”, Business Day, 15 October 2010 ; BERNIE CLARKE, “Healthcare – Keep medical schemes healthy while we wait for the NHI”, Business Day, 18 January 2011; and FARANAAZ PARKER “Health Sector grapples with NHI concerns”, Amandla Magazine, 7 September 2010

<sup>3</sup>DEON VOS, RTT Special Projects Manager, BoP Learning Lab Lunch hour presentation, 11<sup>th</sup> of November 2010 4 ibid.

While RTT is currently running two pilot sites in Watville (Benoni) and Etwatwa (Daveyton) in Gauteng province, the 24-month projection is to roll out a total of around 500 similar units across South Africa by May 2013.

The total projected capital cost for the roll out of 500 clinics over a 24 month period is R127m. Based on revenue and cost model assumptions, the model can be expected to break even within 3 years of operation.

In order to cover some of this capital expenditure, RTT is aiming to seek donor funding to the tune of R60m from development agencies such as USAID, but also from major pharmaceutical companies from among its clients, including GSK, Aspen, J&J and Adcock. Non-pharmaceuticals include mobile telecoms giant MTN and Sanlam, one of the market leaders in providing personal insurance at the BoP. The last two businesses have a clear stake in these clinics, notably with regards to a cell-phone based treatment protocol program and the mapping of population health profiles in different parts of the country.

## II. Challenges and learnings

There are three main challenges to RTT Group's model: ideological, economic and quality-wise.

*Ideological challenge of Private v Public Healthcare:* Given the widespread disparities in South Africa between public and private healthcare, RTT Group's approach could be questioned by the proponents of free universal access to healthcare who feel that health issues cannot be "commodified" and should never be the object of commercial profit-making ventures. Not surprisingly, the public health sector, which would not want to be



seen as inconsistent, appears reluctant to support a fee-based model when it sees its mandate to provide free healthcare funded by the tax payer. The reality, however, is that with so many South Africans underserved and unable to access even tax-funded free healthcare, the option of fee-based care may be better than having no healthcare at all. Furthermore, as is outlined further below, "free" healthcare often comes with hidden costs, such as public transport costs to gain access to the state clinic or hospital, not to mention revenue loss as a result of not being able to go to work. Looked at from this perspective, the Clinic-in-a-Box model, with its strong rural focus, presents some real advantages.

*Economic viability:* With two pilot sites in operation at present, the Clinic-in-a-Box concept is not yet economically viable and is being funded out of RTT Group's CSI budget. However, as mentioned above, it is the intention of RTT Group to turn the Clinic-in-a-Box concept from a CSI into an economically viable social franchise business model through the creation of economies of scale. At this stage, taking into consideration

the cost of employing a nurse at each clinic (approximately R20,000 per month), around 400 patients need to use each Clinic-in-a-Box site each month for a unit to break even and cover its own costs. This equates to approximately 100 patients per week or 20 per day, in line with averages in public healthcare clinics.

Furthermore, RTT strongly believes that initial resistance, witnessed at its two pilot sites, to change from the traditional public healthcare clinics to using Clinic-in-a-Box sites in BoP communities will be overcome by the significant savings (some BoP residents spend up to R200-R250 going to a public healthcare unit, whereas a consultation at a Clinic-in-a-Box site only costs R60) and increased productivity. The initial 4 month pilot phase has unfortunately not yielded the expected results. In order for this business model to be successful, RTT Group estimates that dispensing costs must at the maximum be 30% of the script fee. Various measures have been implemented to bring this cost down, such as standard treatment protocols and more cost effective medicines. The pilot phase of this



project has been extended till the end of May 2011, after which a firm decision will be made. If the pilot phase is deemed a success (only with an increase of at least 30% more patients in coming months) the roll-out plan will encompass at least 20 clinics per month for the next 24 months, or until 500 clinics are reached.

*Quality of service offered:* Scepticism about using a Clinic-in-a-Box site and about the perceived quality of the service and products provided is another challenge that RTT will need to overcome. RTT has attempted to address this concern in three distinct ways. Firstly, a patient at any Clinic-in-

a-Box site will be treated by a professional nurse and the patients' data will be captured and stored electronically using cellular phone technology.

Secondly, each Clinic-in-a-Box site has the ability to be more adaptable to specific healthcare issues in specific areas: more focused on malaria in Limpopo, and on TB in the Western Cape, for instance.

Finally, RTT Group's reputation as South Africa's leading distribution company will help ensure that Clinic-in-a-Box sites are at all times adequately stocked with the required drugs and equipment, and that orders for the restocking of drugs and equipment will arrive on time,

ensuring that no sites are ever out of stock.

## Conclusion

RTT's Clinic-in-a-Box is an original solution that has the potential to make a very significant impact on the availability and quality of basic healthcare in isolated and often overlooked rural communities. It does not pretend to solve all of South Africa's healthcare issues. But if scaled up, it can conceivably reach hundreds of thousands of people every year, and result in a significant improvement in healthcare for the poor in terms of access and quality. In this particular case, though, it has to be added that narrowly defined economic viability is perhaps not the sole criterion against which the model should be measured. In fact, the real economic impact of such a model comes in the form of positive externalities: healthier communities are economically more active and productive. Considering this dimension, RTT's model would gain considerably from formal long term partnerships with the state, as well as with providers of generic and non-generic drugs. In a country that is already spending an estimated 9% of GDP on healthcare, the economic benefits of a partnership approach to keep costs in check, while improving access, cannot be overlooked.

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